TOURISM SASKATCHEWAN

2002/2003 ANNUAL REPORT

Our Vision of Tourism in Saskatchewan

Tourism will be a vital, growing and sustainable economic sector.

Values of Tourism Saskatchewan

- *We believe in providing leadership through excellence in marketing and developing Saskatchewan's tourism potential.*
- *We believe in the power of teamwork, while respecting individual differences.*
- *We believe in conducting ourselves responsibly and with integrity in all endeavors.*
- *We believe in accountability, loyalty and commitment to our partners, our members and ourselves.*
- *We believe in responding creatively to member needs and business opportunities.*
- *We believe in contributing to the social, environmental and economic well-being of our province.*
- *We believe that the wisdom of Elders can provide us with guidance in the appreciation of our natural heritage.*
- *We believe in adapting enthusiastically to future challenges and opportunities.*

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Minister's Message

The potential for growth in Saskatchewan's tourism sector continues to build as our team of industry and government partners approach opportunities with enthusiasm and creativity. We are a safe destination with incredible landscapes and a wide variety of attractions that draw visitors from afar.

Saskatchewan's tourism industry is a key contributor to our diverse economy generating $1.4 billion in travel spending. Tourism delivers benefits to everyone in Saskatchewan, throughout all regions of the province in both rural and urban centres. More than 22,000 jobs are directly related to tourism and another 38,000 indirectly.

This has been a year of forging partnerships. The completion of a framework for a new national tourism strategy is the result of close collaboration between major stakeholders and all levels of government. As well, the very innovative '*Take a Deep Breath*' campaign to promote Saskatchewan to our neighbours is an excellent example of partnering with industry and providing leadership. The beautifully produced tabloid is a format that embodies the very essence of how Saskatchewan stands apart from other destinations.

Tourism Saskatchewan and the tourism industry are to be commended on the dynamic new approach to increasing awareness of what this great province is all about. On behalf of the provincial government, I look forward to working in partnership with Tourism Saskatchewan on building our wide open future.

Eric Cline, Q.C.
Minister
Industry and Resources

Saskatchewan
Our Future is Wide Open

Saskatchewan
Industry and
Resources

Corporate Profile

Tourism Saskatchewan is dedicated to developing and promoting the province's tourism industry – an industry with opportunities as far-reaching as our wide open skies.

Since its inception in 1994, the organization's mandate has broadened and taken shape. Today, we work with members of our industry, the provincial government and other partners to carry out a variety of programs and initiatives in a range of areas. Our efforts in marketing, education and training, membership and visitor services, product development, research, information/technology and more drive economic development across our province through growth in tourism.

They also draw visitors to our province, and enhance and support the services visitors require as they explore our varied landscapes and cultures, learn our unique history and meet our people – all under the canopy of Saskatchewan's living skies.

Chairman's Message

It has been a year of significant activity for Tourism Saskatchewan. The marketing campaign involving the creation, production and distribution of the Saskatchewan tabloid promotional piece was key. It reached an audience of about 700,000 across the prairie provinces and in the United States.

The organization's lobbying efforts to increase its government funding met with success, and Tourism Saskatchewan saw its annual core grant increase by $250,000 in March 2003, from $6.9 million to $7.15 million.

Over this past year, the Board of Directors focused strongly on the review of our Ends Policies, with the objective of reconfirming the vision and guidelines that we have set for the management and staff of Tourism Saskatchewan. With the sunset of the Keeping PACE agreement in sight, we also spent considerable time designing the terms of reference and framework for review of this important partnership. These efforts on behalf of our members have and will set the stage for continued progress.

In a year that posed a number of international and national difficulties for our industry, tourism in our province continued to enjoy a very positive outlook.

Bruce Eaton

Chairman

Board of Directors

Tourism Saskatchewan's Board of Directors is comprised of eleven members appointed by industry, two appointed by the Government of Saskatchewan and three elected each year by the membership (see table below). Board members meet an average of eight times a year to monitor the work of Tourism Saskatchewan and to provide direction to the administration on behalf of industry.

Board members volunteer their time to the organization and work to represent the entire provincial tourism industry rather than their respective sector's interests. If you bump into a board member, thank them for their time and commitment. If you would like more information on the Board and its work, please contact the Executive Office of Tourism Saskatchewan at 787-0754.

Board of Directors as of September 30, 2003

DIRECTOR	APPOINTED BY	DIRECTOR	APPOINTED BY
Bruce Eaton, Chair	Tourism Saskatoon	Bruce Lewis	Elected at large
Janet Olsen, Vice Chair	Parkland Regional Tourism Associations	Vance McNab	Federation of Saskatchewan Indian Nations
Guy Bouvier	Metis Nation of Saskatchewan	Hal Sanders	Government of Saskatchewan
Donna Carlson-O'Keefe	Saskatchewan Outfitters Association	Barb Selsky	Elected at large
Gene Davis	Prairie Regional Tourism Associations	Bruce Shepard	Heritage/Arts/Multicultural
Greg Dionne	Forest Regional Tourism Associations	Larry Spannier	Government of Saskatchewan
Lance Grosco	Hotels Association of Saskatchewan	Brian Zawacki	Tourism Regina
Brent Kloeble	Elected at large		

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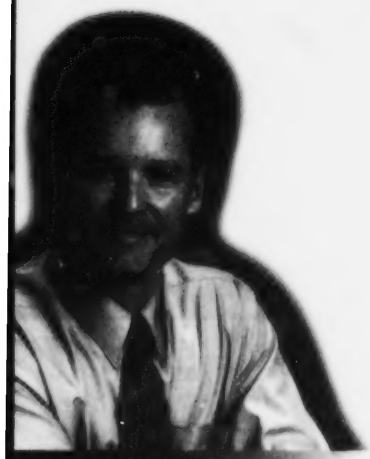


President's Message

I am pleased, on behalf of our staff and Board of Directors, to provide you with Tourism Saskatchewan's 2002/03 Annual Report. While the core objective of this piece is to report to our members on financial operations, we have also included highlights on Tourism Saskatchewan's operations over the past fiscal year.

At the national level, our industry entered the past cycle working on recovery from the influences of 9/11 and cooling economies, specifically that of the United States. Midstream in these efforts, Canada was faced with a number of new challenges such as SARS, which added significant new pressures to the tourism industry. The silver lining is that these pressures generated a greater profile for our industry. In partnership with our colleagues from the Provincial Government, we effectively represented Saskatchewan's interests at a range of strategic meetings at the national level.

Specifically, the federal, provincial and territorial ministers responsible for tourism have established a new national framework for industry recovery and growth. Our collective efforts at the regional level have also advanced discussions on new programs for western Canada's Tourism Alliance and Human Resource Partnership. These national and regional initiatives will provide much needed support for the short and long-term strategic work of our industry here in Saskatchewan.

While working as a partner at these levels, we have remained focused on our own operational obligations and industry leadership. The new lure tabloid initiative and the development of a new destination management system are two major deliverables that dominated much of our attention over the past fiscal year. We have also worked closely with industry to establish a range of new industry-based working committees in cultural tourism, northern tourism, labour market, integrated research and Aboriginal tourism. Tactical work plans for each have or are in the process of being established. Partnerships such as these lead to effective channelling of efforts and are critical to driving industry growth.

Our partnership with government was effectively advanced over this past fiscal year. In January, senior staff and representatives from our Board of Directors formally presented to Provincial Cabinet. This is the first time in the history of

the organization that such a presentation has been made, and it set the stage for the first increase in our core budget. I would like to formally thank the Department of Industry and Resources, and both Minister Lautermilch and Minister Cline, for their ongoing commitment and support for our industry.

Early in the fiscal year, we revised our forecasts from a growth to a 'retention' scenario. Given the challenging dynamics of the market, our industry is to be commended on its relatively strong performance. The ability to hold our own in the face of market challenges speaks strongly to the relationships our industry has built with customers and markets, the quality of our experiences and the manner in which Saskatchewan, as a destination, is being positioned.

As we move closer to our provincial Centennial, we will be talking more about positioning and the opportunity that promoting our sense of place presents for our industry. Sense of place is about who we are and what we can represent as a travel destination in the future.

On behalf of our staff and industry, I must thank our Board of Directors for their commitment of volunteer time, leadership and support. They have been diligent over the 2002/03 fiscal year in setting direction for our organization and monitoring operations. Financial statements show that we have effectively retired our deficit over a cycle in which our operational obligations were met and a range of new and incremental initiatives were launched. These achievements can be attributed to the energy and focus of the Tourism Saskatchewan team, the strong support of our members and the partnerships that continue to be formed and advanced with industry.

The latest numbers indicate that we have surpassed the $1.4 billion mark in visitor expenditures. This puts us well on our way to reaching our goal of $1.5 billion by 2005. My congratulations to industry.

Onward to 2004.

Roy Anderson
President and Chief Executive Officer

The Year in Review

Members' Point of View

National and international events had many wondering what kind of year it would be for tourism in Canada. From SARS to Mad Cow, not to mention American disenchantment with Canada for its stance on Iraq, fear was rampant that travel and travel-related activities would plummet in the 2003 summer tourism season.

As it turns out, Saskatchewan did not have a bad tourism year. Early indications (travel inquiries and border entry statistics from early 2003) suggested that the province would see an insignificant drop in travel compared to summer 2002, perhaps as little as one or two percentage points. Member experiences seem to confirm this.

"Summer 2003 has been pretty comparable to 2002. People had to work harder for what they did get, but if business in the outfitting sector was down at all, it was very little – a few percentage points at the most."
-Hal Stupnikoff, Executive Director of the Saskatchewan Outfitters Association

"Considering everything that's going on, we're excited about the occupancy rates in Regina. They've been essentially flat from 2002. Of course, we always want to see growth, but to hold our own is pretty darned good these days."
-Steve McLellan, Tourism Regina Executive Director

"The T.rex Discovery Centre had a great summer. We saw approximately a 30% increase in visitor traffic over last year, with many more visitors in the peak months of July and August, but we have also seen substantially higher numbers in the shoulder seasons as well."

-Mark Caswell, Executive Director, T.rex Discovery Centre

"It turned out to be a wonderful season for us. July and August were sunny and hot, and we had record visitation. It was the best ever! I don't know how we'll live up to it next year, but I keep saying that every year."

-Brad Mason, Park Manager, Cypress Hills Inter-provincial Park

"Our volume has been about the same as last year. We're maybe down half a percentage point. We're seeing as many people travelling, but the proportion of Saskatchewan visitors is higher. Our guests aren't travelling as far; they're making shorter, more frequent trips."

- Larry Bird, co-owner of three Regina accommodation properties

"July was not great, but things did rebound in August. Festivals and events have been generally strong, although we lost a major event in July with the River Roar. Attractions are reporting lower numbers that would be best described as modestly down from last year. On a positive note, the Saskatoon Shines Shuttle enjoyed its business this summer."

- Todd Brandt, Tourism Saskatoon Chief Executive Officer

"Final visitation numbers are not in. However, the provincial parks saw a substantial increase in visitation during the 2003 park season. The way it is shaping up, we will likely see park visitation increase by about 10 per cent over last summer."

-Bob Herbison, Parks and Special Places, Saskatchewan Environment

Key Activities

Tourism Saskatchewan has specific operational obligations and commitments that guide our yearly planning and activities. For example, we design and implement a media plan, we operate the five provincial visitor reception centres, we produce the industry's core travel publications, we manage the partnership with the regions, and we promote and deliver a range of education-based programs.

These obligations are our core focus. But we are constantly revising, adapting and creating new approaches and initiatives in order to remain connected to our overall goal – driving economic development in Saskatchewan through tourism.

With our partners and members, Tourism Saskatchewan was involved in a number of key activities during 2002/03. Here are the highlights.

Focus on the Short-Haul - A shift in our media plan put the focus on short-haul markets. This lead to the design and production of a full-colour lure tabloid, '*Take a Deep Breath*'. With a number of partners, including the tourism regions, Tourism Saskatoon, Tourism Regina, the Canadian Tourism Commission, WestJet and Casino Regina, the tabloid was distributed to 700,000 households. It was a great success. Using 'sense of place' as the underlying design concept, it established a fresh new view of Saskatchewan in the minds of potential travelers. It resulted in significant shifts in consumer perception of our province as a destination. In Alberta alone, top-of-mind awareness of Saskatchewan as a travel destination jumped from roughly 7% before tabloid distribution to over 20% after. A tremendous response!

Building our Export Markets - With Rendezvous Canada 2005 coming our way, a Trade Development Strategy was launched to direct our industry's collective efforts to grow business with export markets. Rendezvous Canada is the nation's largest international travel marketplace, and an unprecedented opportunity to showcase the richness of our tourism product to over 500 international buyers and media reps. The Tourism Company and Western Management Consultants will complete the strategy early in 2004.

Growth through Partnerships - Increasing the average expenditure of our visitors requires collective effort and industry participation. New industry-based partnerships were established in northern tourism, cultural tourism, Aboriginal tourism and research. Through these partnerships, shared tactical plans are being established and collective efforts are moving things forward.

Recruitment and Retention - The Tourism Labour Market Partnership was established to address labour shortage issues within the tourism industry in Saskatchewan.

National Leaders - STEC continued to lead Canada in implementation of the national Ready to Work – Tourism Careers Program (formerly Tourism Careers for Youth). Unique and innovative delivery models resulted in 163 participants and a completion rate of 75%. The vast majority of participants (73%) found long-term work in the tourism industry or returned to school; 98% were Aboriginal.

Regional Service Partnership - The Service Best delivery partnership with Saskatchewan's regional colleges was successfully implemented. There were a total of 1,383 participants. In addition, 30 people from the regional college system and corporate license sites participated in one-week Train the Trainer programs to deliver the Service Best program.

Industry Advocacy - Each member of the legislative assembly received an industry report tailored specifically to their constituencies. These reports outlined industry and employment growth associated with tourism from 1996 to 2001. This format provided a strong, consistent presentation of the impact and momentum of our industry.

'City to City' Campaign - In response to projected mid-summer soft occupancy levels in urban hotels, Tourism Saskatchewan undertook a city-to-city campaign on behalf of our city destination marketing organizations. The campaign promoted urban-based packages in Saskatchewan and Alberta.

Strong Fiscal Management - In addition to fully retiring the organization's deficit, an office move (STEC) and a review of existing loans were undertaken, leading to savings of nearly $200,000 over the next five years.

A New Platform - We accomplished the in-house transition of our industry database from the old ICS platform to a web enabled platform that powers the search function on Tourism Saskatchewan and regional websites. This singular data platform includes a new inquiry database structure, or 'Destination Management System'.

We Can Convert - Knowing we can convert roughly 25% of visitors to our reception centres, we undertook a pilot billboard program at the Fleming VRC. The result was increased traffic to the centre. And there's more to come! For the first time, a new training program was delivered through the Visitor Services Network to staff at key visitor centres around the province.

New Quarterly Reports - To help industry make sense of all the tourism data, new reports were designed to synthesize industry indicators into a useful reference tool.

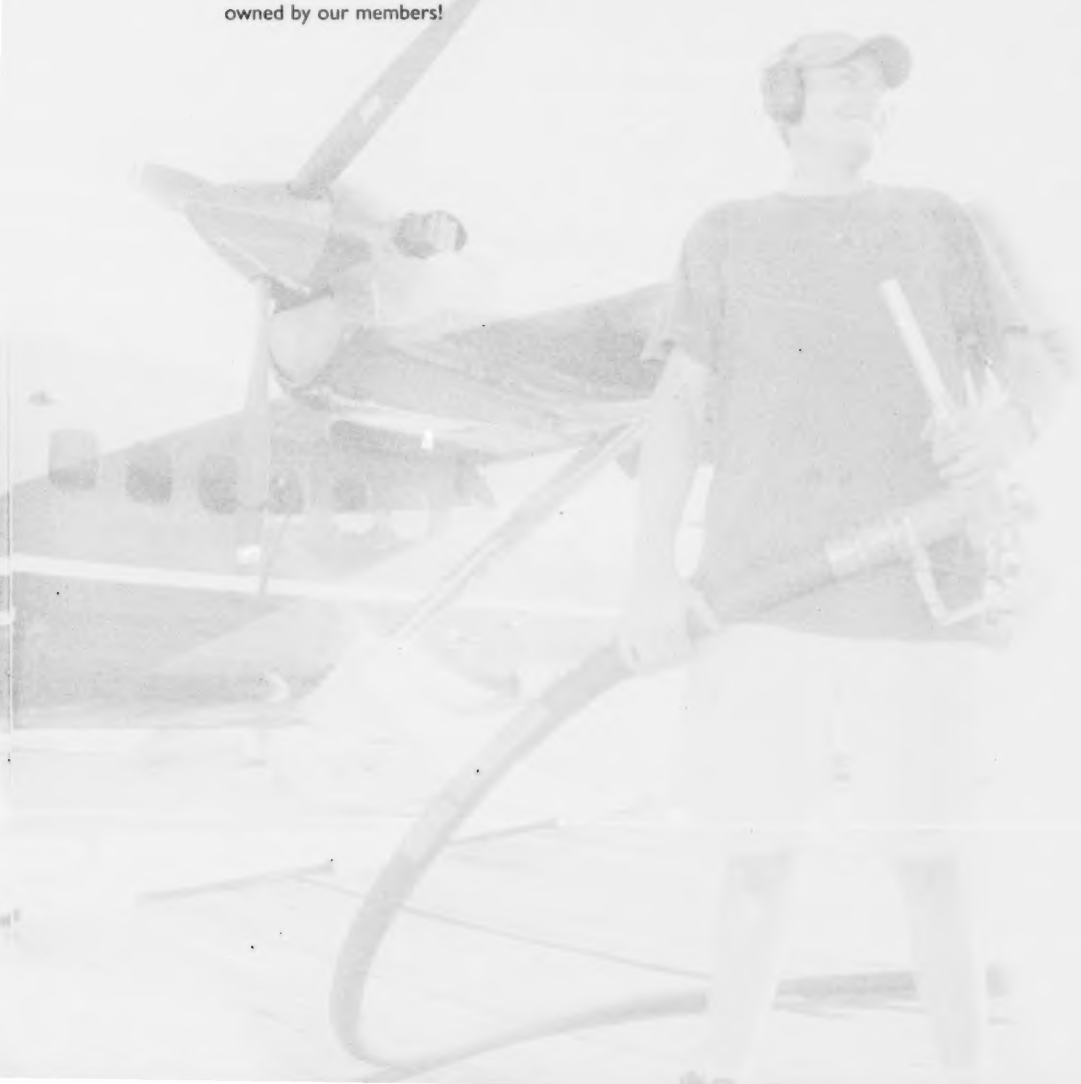
Enhanced Global Reach

The redesign and launch of Tourism Saskatchewan's website was a key achievement. It provides the most comprehensive online package of information and services for travellers interested in our province, with thousands of searchable events, accommodations, attractions, outfitters, parks, resorts, outdoor adventure activities, restaurants and entertainment. Visitors can also find links to region and community websites, transportation and customs information, travel-related regulations and various provincial facts. The majority of work to provide online reservations and mapping functions was completed during 2002/03, and these features are expected to be up and running before 2004.

The website's new design and comprehensive offerings enable us to effectively meet rising user expectations. Internet users are growing increasingly accustomed to doing their travel planning, booking and buying online. Now, at any time of day, anywhere in the world, they can plan their travel in Saskatchewan. The site upgrades were also necessary to maintain Saskatchewan's competitiveness with other travel jurisdictions. The look and 'feel' of the site are critical to successfully marketing all our province has to offer as a travel destination.

While providing global reach and seamless access to our markets, the website includes a Destination Management System designed with member utility in mind. Members will now be able to update their product information with ease. Industry communication and input will be further enhanced through the launch of our extranet - *Industry Matters!*

Seamless access by markets. Seamless access by members. Integration of our regional sites. The new website built by Tourism Saskatchewan and regional partners is solely owned by our members!



An Event-full Year

Tourism Awareness Week (TAW) in Saskatchewan, June 1 – 7, kicked off the summer season with a bang. People across the province were reminded of our industry's importance through various activities at the community, region and provincial level.

- Tourism Saskatchewan staff members got on board the Saskatchewan TAW RV Tour and headed out to venues around the province. They provided promotional items, spoke to groups and shared information about travelling in the province and about the tourism industry itself.
- Saskatchewan Tourism Education Council helped kick off the week with the annual STEC Tourism Professional Recognition Dinners in Saskatoon and Regina at the start of June 2003.

- For the first time, Tourism Saskatchewan operated a travel-counselling booth at a major Regina shopping mall during Tourism Awareness Week, complete with computers, online travel information and the 2003 Saskatchewan Vacation Guide. The booth enjoyed a lot of activity, as passers-by stopped to ask questions and enjoy some Saskatchewan travel planning assistance.
- The week provided the perfect stage for a news conference to announce results of the '*Take a Deep Breath*' marketing promotion developed by Tourism Saskatchewan and launched in April. It was also an ideal opportunity to launch the second annual *Snap It!* The Great Saskatchewan Photo Contest. The contest ran throughout the summer. Almost a thousand entries were received by the October deadline.

As always, Tourism Saskatchewan worked with industry partners to host several other successful events.

- The Fall General Meeting and Conference was held in Regina, December 3-4, 2002. There were 240 delegates in attendance – a strong turnout.
- Industry came together for an exciting evening at the Saskatchewan Tourism Awards of Excellence Gala in March 2003. Well-known CTV personality Jeff Hutcheson was Master of Ceremonies at the event, held in Regina.
- In April 2003, the Spring General Meeting in the Battlefords had tourism people gathering to discuss everything 'From Casinos to Culture.'
- 'FORE!' the Tourism Saskatchewan Golf Classic closed out the year's events at the Waskesiu Golf Course in September 2003. Proceeds from the event once again went to KidSport™.

Financial Management

Strong fiscal management and effective reporting are critical to our organization. And in response to our unique industry/government partnership, Tourism Saskatchewan is dually accountable in a range of areas, including financial management. Being dually accountable means that financial reports are prepared for each of the eight board meetings held by the Board of Directors. Quarterly financial reports are also submitted to the Department of Industry and Resources as part of our contractual obligations.

We also provide a copy of our financial statements to each of our members in advance of our Fall General Business Meeting. It is important for our members to know how Tourism Saskatchewan manages and invests dollars on behalf of industry.

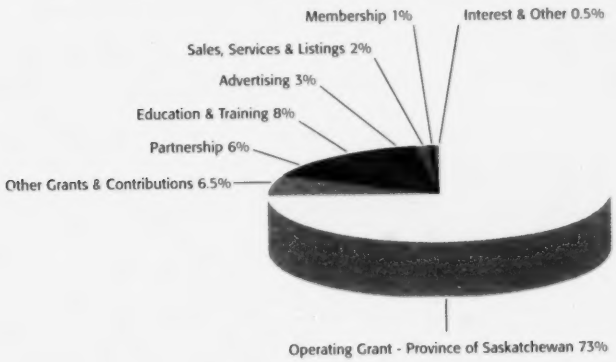
What characterized fiscal 2002/03, however, was the final retirement of the organization's deficit. Another key accomplishment was restriction of dollars for new initiatives which require financing that cannot be absorbed into our operational budget. As we moved through the operational cycle, we were able to realize savings in several areas of operation. At the end of the year, we set these savings aside and tagged them for specific one-time initiatives in the coming year. These initiatives are approved by the Board of Directors, and are listed in our statements.

Revenue Generation

Tourism Saskatchewan was successful in raising additional revenue beyond the $7.04 million annual provincial government grant, achieving total revenue for 2002/03 of $9.56 million. The additional revenue came from:

- *$682,748 in other grants and contributions including WEPA Internet Strategy*
- *$536,510 from partnerships, including additional marketing funds available at the national level*
- *$783,828 for education and training initiatives from external funding programs*
- *$244,613 generated through advertising sales*
- *$55,767 from merchandise sales*
- *$125,387 for sales of listings in travel publications*
- *$59,445 raised through memberships in Tourism Saskatchewan*
- *$33,427 in interest and other earnings*

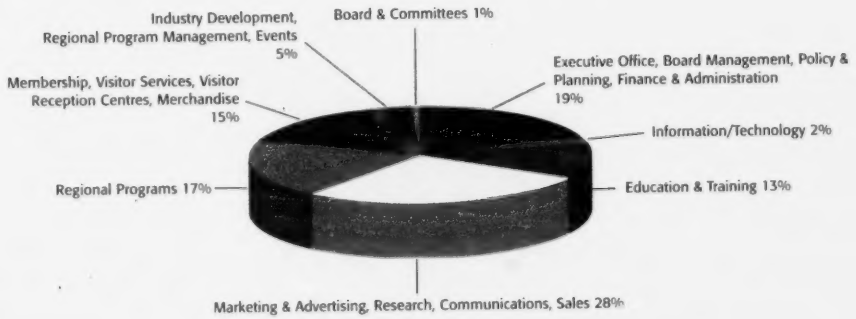
Operating Revenue by Source 2002/2003



Expenditures

Tourism Saskatchewan allocates its annual budget across a broad range of strategic initiatives and programs that reflect goverment's legislative mandate, our Board of Director's vision, and key opportunities for our industry.

Expenditures 2002/2003


Industry Development, Regional Program Management, Events 5%
Board & Committees 1%
Executive Office, Board Management, Policy & Planning, Finance & Administration 19%
Membership, Visitor Services, Visitor Reception Centres, Merchandise 15%
Information/Technology 2%
Regional Programs 17%
Education & Training 13%
Marketing & Advertising, Research, Communications, Sales 28%

Recognition of Industry Contributions

Industry Contributions are goods and services provided to Tourism Saskatchewan by industry partners at a discounted or complimentary rate. These partnerships with both traditional and non-traditional tourism supporters provide significant resources to the organization that allow us to carry out initiatives that wouldn't be possible otherwise. There are two key ways these contributions are provided:

1) Industry Financial Contributions

Reporting of Tourism Saskatchewan's 2000/01 Financial Statements saw the removal of Industry in-kind contributions from all reports. However, the importance of industry in-kind support cannot be understated. The chart below shows these contributions which are recognized at fair market value.

2) Keeping PACE Commitment

Tourism Saskatchewan provides funding for the present regional structure through the Keeping PACE agreement. Each region is required to match money spent on specific initiatives, such as marketing, with money and value from their specific region. The $1.45 million core funding that Tourism Saskatchewan provides appears in our Financial Statements. The matching value raised by the regions is significant but does not appear in our financial statements. This value is included in the chart below.

Summary of Industry Contributions and Keeping PACE Commitment

	2002/2003	2001/2002	Variance
Sales & Corporate Development	$969,833	$966,835	$2,998
Marketing	$147,100	60,778	86,322
Membership	$11,054	15,546	(4,492)
Education & Training	$11,300	11,400	(100)
Subtotal	$1,139,287	1,054,559	84,728
Keeping PACE Commitment	$827,500	769,552	57,948
Total	**$1,966,787**	**$1,824,111**	**$142,676**

Financial Statements

Financial Statements of

Tourism Authority

operating as

Tourism Saskatchewan

September 30, 2003

Deloitte & Touche

Auditors' Report

To the Members of
Tourism Authority
o/a Tourism Saskatchewan

We have audited the balance sheet of Tourism Saskatchewan as at September 30, 2003 and the statements of operations, changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Authority as at September 30, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Regina, Saskatchewan
October 24, 2003

TOURISM SASKATCHEWAN
Balance Sheet
September 30, 2003

	2003	2002
ASSETS		
CURRENT		
Cash	$1,272,338	$2,058,232
Accounts receivable	242,364	336,925
GST receivable (Note 3)	71,087	18,182
Inventory	75,948	94,571
Prepaid expenses	50,989	206,043
	1,712,726	**2,713,953**
CAPITAL ASSETS (Note 4)	800,539	838,153
	$2,513,265	**$3,552,106**
LIABILITIES and NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	570,386	675,159
Unearned revenue	171,569	1,153,218
Current portion of deferred contributions related to capital assets (Note 6)	21,933	-
Deferred grant contribution (Note 6)	288,125	288,125
Current portion of long term debt (Note 7)	45,544	41,237
	1,097,557	**2,157,739**
LONG TERM		
Deferred contribution related to capital assets (Note 6)	21,933	-
Leasehold improvement loan (Note 7)	186,360	309,786
	1,305,850	**2,467,525**
NET ASSETS		
Invested in capital assets	524,769	487,130
Internal restrictions:		
Partnership Marketing Fund (Note 8)	22,500	80,448
President's Marketing Advisory Fund (Note 8)	97,325	91,008
Initiatives Fund (Note 8)	562,264	451,195
Unrestricted net assets (deficit)	557	(25,200)
	1,207,415	**1,084,581**
	$2,513,265	**$3,552,106**

See accompanying notes to financial statements.

APPROVED BY THE BOARD:

Director

Director B. J. Zaurel

TOURISM SASKATCHEWAN
Statement of Operations and Changes in Net Assets - Unrestricted
Year Ended September 30, 2003

	Unrestricted	
	2003	2002
REVENUE		
Operating Grant - Province of Saskatchewan	$7,040,000	$6,915,000
Other Grants & Contributions	682,748	473,452
Partnership	536,510	532,669
Education and training	783,828	730,732
Advertising	244,613	262,527
Sales and services (Note 9)	55,767	49,890
Listings	125,387	126,541
Membership	59,445	57,941
Interest and other	33,427	28,223
	9,561,725	**9,176,975**
EXPENSES		
Administration (Schedule 1)	1,614,683	1,210,120
Education and training (Schedule 2)	1,123,688	998,641
Marketing and advertising (Schedule 3)	4,716,163	4,452,378
Membership and visitor services (Schedule 4)	1,739,179	1,981,635
Board and committees	42,116	45,042
	9,235,829	**8,687,816**
EXCESS OF REVENUE OVER EXPENSES	**$325,896**	**$489,159**
Net invested in capital assets	(37,639)	114,626
Internal Restrictions:		
Partnership Marketing Fund (Note 8)	(22,500)	(80,448)
Initiatives Fund: (Note 8)		
Information Technology Development (85,000)		
Industry Development Structure Review (15,000)		
Industry Development Priority Initiatives (80,000)		
Web-based marketing and Research (60,000)	(240,000)	(439,322)
NET INCREASE TO NET ASSETS	**$25,757**	**$84,015**
NET ASSETS (deficit), OPENING	**$(25,200)**	**$(109,215)**
NET ASSETS (deficit), ENDING	**$557**	**$(25,200)**

See accompanying notes to financial statements.

TOURISM SASKATCHEWAN
Statement of Operations and Changes in Net Assets
Year Ended September 30, 2003

	Unrestricted Operations	Invested in Capital Assets	Internally Restricted for Partnership Marketing	Internally Restricted for President's Marketing Advisory	Internally Restricted Initiatives	Total 2003	Total 2002
REVENUE							
Operating Grant-Province of Saskatchewan	$7,040,000	-	-	-	-	$7,040,000	$6,915,000
Other Grants & Contributions	682,748	-	-	-	-	682,748	473,452
Partnership	536,510	-	-	-	-	536,510	532,669
Education & training	783,828	-	-	-	-	783,828	730,732
Advertising	244,613	-	-	-	-	244,613	262,527
Sales & services (Note 10)	55,767	-	-	-	-	55,767	49,890
Listings	125,387	-	-	-	-	125,387	126,541
Membership	59,445	-	-	-	-	59,445	57,941
Interest & other	33,427	-	-	-	-	33,427	28,223
	9,561,725	**-**	**-**	**-**	**-**	**9,561,725**	**9,176,975**
EXPENSES							
Administration (Schedule 1)	1,614,683	-	-	-	-	1,614,683	1,345,247
Education & training (Schedule 2)	1,123,688	-	-	-	-	1,123,688	998,641
Marketing & advertising (Schedule 3)	4,716,163	-	74,131	-	128,931	4,919,225	4,522,237
Membership & visitor services (Schedule 4)	1,739,179	-	-	-	-	1,739,179	1,981,635
Board & committees	42,116	-	-	-	-	42,116	45,042
	9,235,829	**-**	**74,131**	**-**	**128,931**	**9,438,891**	**8,892,802**
EXCESS OF REVENUE OVER EXPENSES	**$325,896**	**-**	**(74,131)**	**-**	**(128,931)**	**$122,834**	**$284,173**
Net Assets (deficit), beginning	(25,200)	487,130	80,448	91,008	451,195	1,084,581	800,408
Interfund transfers	(37,639)	37,639 (1)	(6,317)	6,317	-	-	-
Internally imposed restrictions	(262,500)	-	22,500	-	240,000	-	-
NET ASSETS, ENDING	**$357**	**524,769**	**22,500**	**97,325**	**562,264**	**$1,207,415**	**$1,084,581**

See accompanying notes to financial statements.

(1) Consists of:

Amortization expense	$201,290
Amortization of deferred contributions related to capital assets (Note 6)	(21,934)
Repayment of leasehold improvement loan	(119,119)
Purchase of capital assets with unrestricted resources	(97,876)
Increase in net assets invested in capital assets	$(37,639)

TOURISM SASKATCHEWAN
Statement of Operations and Changes in Net Assets - Unrestricted
Year Ended September 30, 2003

	Unrestricted	
	2003	2002
REVENUE		
Operating Grant - Province of Saskatchewan	$7,040,000	$6,915,000
Other Grants & Contributions	682,748	473,452
Partnership	536,510	532,669
Education and training	783,828	730,732
Advertising	244,613	262,527
Sales and services (Note 9)	55,767	49,890
Listings	125,387	126,541
Membership	59,445	57,941
Interest and other	33,427	28,223
	9,561,725	**9,176,975**
EXPENSES		
Administration (Schedule 1)	1,614,683	1,210,120
Education and training (Schedule 2)	1,123,688	998,641
Marketing and advertising (Schedule 3)	4,716,163	4,452,378
Membership and visitor services (Schedule 4)	1,739,179	1,981,635
Board and committees	42,116	45,042
	9,235,829	**8,687,816**
EXCESS OF REVENUE OVER EXPENSES	**$325,896**	**$489,159**
Net invested in capital assets	(37,639)	114,626
Internal Restrictions:		
Partnership Marketing Fund (Note 8)	(22,500)	(80,448)
Initiatives Fund: (Note 8)		
Information Technology Development (85,000)		
Industry Development Structure Review (15,000)		
Industry Development Priority Initiatives (80,000)		
Web-based marketing and Research (60,000)	(240,000)	(439,322)
NET INCREASE TO NET ASSETS	**$25,757**	**$84,015**
NET ASSETS (deficit), OPENING	**$(25,200)**	**$(109,215)**
NET ASSETS (deficit), ENDING	**$557**	**$(25,200)**

See accompanying notes to financial statements.

TOURISM SASKATCHEWAN
Statement of Operations and Changes in Net Assets
Year Ended September 30, 2003

	Unrestricted Operations	Invested in Capital Assets	Internally Restricted for Partnership Marketing	Internally Restricted for President's Marketing Advisory	Internally Restricted Initiatives	Total 2003	Total 2002
REVENUE							
Operating Grant Province of Saskatchewan	$7,040,000	-	-	-	-	$7,040,000	$6,915,000
Other Grants & Contributions	682,748	-	-	-	-	682,748	473,452
Partnership	536,510	-	-	-	-	536,510	532,669
Education & training	783,828	-	-	-	-	783,828	730,732
Advertising	244,613	-	-	-	-	244,613	262,527
Sales & services (Note 10)	55,767	-	-	-	-	55,767	49,890
Listings	125,387	-	-	-	-	125,387	126,541
Membership	59,445	-	-	-	-	59,445	57,941
Interest & other	33,427	-	-	-	-	33,427	28,223
	9,561,725	**-**	**-**	**-**	**-**	**9,561,725**	**9,176,975**
EXPENSES							
Administration (Schedule 1)	1,614,683	-	-	-	-	1,614,683	1,345,247
Education & training (Schedule 2)	1,123,688	-	-	-	-	1,123,688	998,641
Marketing & advertising (Schedule 3)	4,716,163	-	74,131	-	128,931	4,919,225	4,522,237
Membership & visitor services (Schedule 4)	1,739,179	-	-	-	-	1,739,179	1,981,635
Board & committees	42,116	-	-	-	-	42,116	45,042
	9,235,829	**-**	**74,131**	**-**	**128,931**	**9,438,891**	**8,892,802**
EXCESS OF REVENUE OVER EXPENSES	**$325,896**	**-**	**(74,131)**	**-**	**(128,931)**	**$122,834**	**$284,173**
Net Assets (deficit), beginning	(25,200)	487,130	80,448	91,008	451,195	1,084,581	800,408
Interfund transfers	(37,639)	37,639 (1)	(6,317)	6,317	-	-	-
Internally imposed restrictions	(262,500)	-	22,500	-	240,000	-	-
NET ASSETS, ENDING	**$557**	**524,769**	**22,500**	**97,325**	**562,264**	**$1,207,415**	**$1,084,581**

See accompanying notes to financial statements.

(1) Consists of:

Amortization expense	$201,290
Amortization of deferred contributions related to capital assets (Note 6)	(21,934)
Repayment of leasehold improvement loan	(119,119)
Purchase of capital assets with unrestricted resources	(97,876)
Increase in net assets invested in capital assets	$(37,639)

TOURISM SASKATCHEWAN
Statement of Cash Flows
Year Ended September 30, 2003

	2003	2002
CASH FROM OPERATING ACTIVITIES		
Excess of revenue over expenses - Unrestricted Operations	$325,896	$489,159
Add (deduct) items not requiring the use of cash:		
Amortization of capital assets	201,290	235,680
Write-down of capital asset	-	58,310
Use of net assets restricted for Initiatives Fund	(128,931)	(135,127)
Amortization of deferred contributions related to capital assets (Note 6)	(21,934)	(18,488)
	376,321	**629,534**
Net change in non-cash working capital items (Note 11)	(871,089)	928,919
NET CASH GENERATED FROM OPERATING ACTIVITIES	**(494,768)**	**1,558,453**
CASH FROM INVESTING ACTIVITIES		
Deferred contributions related to capital assets (Note 6)	65,800	-
Purchase of capital assets	(163,676)	(122,988)
Expenditures from Partnership Marketing Fund	(74,131)	(69,859)
NET CASH USED IN INVESTING ACTIVITIES	**(172,007)**	**(192,847)**
Cash from financing activities		
Loan proceeds of leasehold improvement loan	250,000	-
Repayment of leasehold improvement loan	(369,119)	(37,888)
NET CASH GENERATED FROM (USED IN) FINANCING ACTIVITIES	**(119,119)**	**(37,888)**
NET (DECREASE) INCREASE IN CASH	**(785,894)**	**1,327,718**
Cash, beginning of year	2,058,232	730,514
CASH, END OF YEAR	**$1,272,338**	**$2,058,232**

See accompanying notes to financial statements.

TOURISM SASKATCHEWAN
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2003

1. DESCRIPTION OF BUSINESS

The Tourism Authority (the 'Authority'), operating as Tourism Saskatchewan, was incorporated as a non-profit organization under the Tourism Authority Act and commenced operations on October 1, 1994. The Authority was formed to promote and develop tourism in Saskatchewan on behalf of the tourism industry and the Government of Saskatchewan. Certain assets were transferred to the Authority from the Government of Saskatchewan, Department of Economic Development and Saskatchewan Property Management Corporation (SPMC).

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

a) Revenue Recognition

The Authority follows the deferral method of accounting for contributions. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated, collection is reasonably assured and the expenses relating to the contribution are incurred.

b) Inventory

Inventory is valued at the lower of cost and net realizable value.

c) Capital Assets

Capital assets are recorded at cost and amortized over their estimated useful lives. Leasehold improvements are amortized over 10 years. Amortization expense is calculated using the straight-line method at the following annual rates:

Photo library	10%
Furniture & equipment	10% to 20%
Computer equipment	33%
Leasehold improvements	10% to 20%
Signs & displays	20%

d) Unearned Revenue

Advertising and listing amounts received, which are related to future publications, are recorded as unearned revenue.

TOURISM SASKATCHEWAN
Statement of Cash Flows
Year Ended September 30, 2003

	2003	2002
CASH FROM OPERATING ACTIVITIES		
Excess of revenue over expenses - Unrestricted Operations	$325,896	$489,159
Add (deduct) items not requiring the use of cash:		
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September 30, 2003

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Advertising and listing amounts received, which are related to future publications, are recorded as unearned revenue.

2. Significant Accounting Policies (Cont'd)

e) Income Taxes

The Authority is incorporated as a non-profit organization and is exempt from income taxes.

f) Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and use assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may vary from the current estimates. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the periods in which they become known.

3. GST RECEIVABLE

The Authority claims goods and services input tax credits based upon its level of staff time devoted to generating GST taxable supplies. For the year ended September 30, 2003, the applicable rate was 70%. Purchases of goods for resale are eligible for 100% input tax credits.

GST receivable is net of any GST payable.

4. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net Book Value 2003	2002
Photo library	$473,586	$186,753	$286,833	$305,875
Furniture and equipment	388,533	246,473	142,060	153,275
Computer equipment	372,228	300,849	71,379	39,604
Leasehold improvements	467,064	173,210	293,854	329,552
Signs and displays	111,692	105,279	6,413	9,847
	$1,813,103	$1,012,564	$800,539	$838,153

5. OPERATING LINE OF CREDIT

The Authority has access to the following operating line of credit, repayable on demand with interest paid monthly at the TD Bank prime rate.

Base operating limit	**$500,000**

6. DEFERRED CONTRIBUTIONS

Deferred Grant Contribution

Deferred grant contribution represents the accelerated receipt of an operating grant payment from Industry and Resources. Pursuant to the $7,040,000 annual funding agreement, the payment schedule was revised during the 1998/99 fiscal year. The transition to the revised payment schedule resulted in an accelerated payment of $288,125 being received before the Authority's 1998/99 fiscal year end. $288,125 of the annual receipts will continue to be deferred to maintain a level of operating grant revenue consistent with the annual funding agreement.

Deferred Contributions Related to Capital Assets

Deferred contributions related to capital assets represent contributions received for the purpose of purchasing capital assets for specific projects. During the 2002/03 fiscal year, $65,800 of contributions for the purchase of capital assets had been deferred. The contributions are being recognized on the same basis as the related capital assets are amortized. During the year, $21,934 of the deferred contribution related to capital assets has been recognized as a reduction to amortization expense.

7. LONG TERM LIABILITIES

	2003	2002
Leasehold Improvement Loan		
The leasehold improvement loan due December 31, 2009 with an interest rate of 8.5%, was repaid in March 2003. A new loan was established due April 2, 2007 with an interest rate of 6.0%, repayable in monthly installments of $4,832 including principal and interest, secured by capital assets.	$231,904	$351,023
Less due within one year	(45,544)	(41,237)
	$186,360	$309,786

2. Significant Accounting Policies (Cont'd)

e) Income Taxes

The Authority is incorporated as a non-profit organization and is exempt from income taxes.

f) Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and use assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may vary from the current estimates. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the periods in which they become known.

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Less due within one year	(45,544)	(41,237)
	$186,360	**$309,786**

8. INTERNALLY RESTRICTED NET ASSETS

a) Partnership Marketing Fund

The Authority has entered into contracts with the tourism regions and industry partners to provide funds for eligible marketing activities to be carried out subsequent to the year-end. During the year, the Authority's board of directors internally restricted $22,500 ($80,448 in 2002) of unrestricted net assets, the maximum amount remaining to be paid out pursuant to these contracts and subject to the regions and partners incurring eligible marketing expenditures by November 30, 2003. These internally restricted amounts are not available for other purposes without approval of the board of directors.

Changes to the balance of net assets restricted for the Partnership Marketing Fund are as follows:

	2003	2002
Beginning balance	$80,448	$115,702
Less expenditures incurred during the year on regional and industry partner marketing activities	(74,131)	(69,859)
Less funds transferred to President's Marketing Advisory Fund representing unspent marketing funds from previous year's marketing contracts	(6,317)	(45,843)
Add internally imposed restrictions during the year	22,500	80,448
Ending balance	**$22,500**	**$80,448**

b) President's Marketing Advisory Fund

During the year, the Authority's board of directors internally restricted $6,317 ($45,843 in 2002) for the President's Marketing Advisory Fund. The CEO of Tourism Saskatchewan determines provincial marketing campaigns in consultation with the President's Marketing Advisory Council. The amount represents unspent marketing funds from the 2001/2002 marketing contracts with the tourism regions and industry partners and is being restricted for this purpose consistent with the recommendation presented in the renewal of the "KEEPING P.A.C.E." agreement of April 2002. These internally restricted amounts are not available for other purposes without approval of the board of directors.

b) President's Marketing Advisory Fund (Cont'd)

Changes to the balance of net assets restricted for the President's Marketing Advisory Fund are as follows:

	2003	2002
Beginning balance	$91,008	$45,165
Add internally imposed restrictions during the year	6,317	45,843
Ending balance	$97,325	$91,008

c) Initiatives Fund

During the year, the Authority's board of directors internally restricted $240,000 ($439,322 in 2002) of unrestricted net assets for the Initiatives Fund, which include activities for marketing, industry development, and internet technology development. These internally restricted amounts are not available for other purposes without approval of the board of directors. Costs of $128,931 were incurred in 2003 for Marketing activities.

	2003	2002
BVC/Trade Initiative	$125,273	$175,000
Mid-Market Consumer Program	20,796	100,000
Industry Structure Review	40,000	25,000
Industry Development Sector Study	75,000	75,000
Web Marketing Strategy	26,195	26,195
Tourism Video Initiative	50,000	50,000
Information Technology Development	85,000	-
Industry Development Priority Initiatives	80,000	-
Web-based Marketing and Research	60,000	-
Total	$562,264	$451,195

9. RETAIL SALES

Retail sales are shown net of cost of goods sold of $108,317 ($91,726 in 2002).

8. INTERNALLY RESTRICTED NET ASSETS

a) Partnership Marketing Fund

The Authority has entered into contracts with the tourism regions and industry partners to provide funds for eligible marketing activities to be carried out subsequent to the year-end. During the year, the Authority's board of directors internally restricted $22,500 ($80,448 in 2002) of unrestricted net assets, the maximum amount remaining to be paid out pursuant to these contracts and subject to the regions and partners incurring eligible marketing expenditures by November 30, 2003. These internally restricted amounts are not available for other purposes without approval of the board of directors.

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Add internally imposed restrictions during the year	22,500	80,448
Ending balance	**$22,500**	**$80,448**

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Ending balance	**$97,325**	**$91,008**

c) Initiatives Fund

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	2003	2002
RVC/Trade Initiative	$125,273	$175,000
Mid-Market Consumer Program	20,796	100,000
Industry Structure Review	40,000	25,000
Industry Development Sector Study	75,000	75,000
Web Marketing Strategy	26,195	26,195
Tourism Video Initiative	50,000	50,000
Information Technology Development	85,000	-
Industry Development Priority Initiatives	80,000	-
Web-based Marketing and Research	60,000	-
Total	**$562,264**	**$451,195**

9. RETAIL SALES

Retail sales are shown net of cost of goods sold of $108,317 ($91,726 in 2002).

10. COMMITMENTS

Leases

The Authority has entered into leases for office premises in Regina and Saskatoon and Visitor Information Centres at various locations in the province. The future minimum lease payments are as follows:

2004	$235,915
2005	241,620
2006	242,979
2007	245,048
2008	245,237

11. CHANGES IN NON-CASH WORKING CAPITAL ITEMS

	2003	2002
Accounts receivable	$94,561	$(158,316)
GST receivable	(52,905)	(7,678)
Inventory	18,623	13,375
Prepaid expenses	155,054	(7,618)
Accounts payable and accrued liabilities	(104,773)	81,851
Unearned revenue	(981,649)	1,007,305
	$(871,089)	$928,919

12. COMPARATIVE FIGURES

Certain of prior year's comparative figures have been reclassified to conform to the current year's presentation.

TOURISM SASKATCHEWAN
SCHEDULE OF EXPENSES
September 30, 2003

Administration Expenses Schedule 1

	2003	2002
Amortization	$16,142	$19,548
Bad debts	4,588	861
Building rental	39,134	35,782
Equipment rental	8,183	12,128
Insurance	13,355	11,840
Interest and bank charges	37,215	38,330
Legal	7,249	5,592
Postage	29,852	25,131
Professional services	70,921	102,952
Repairs and maintenance	13,771	7,070
Salaries and benefits	1,258,400	986,707
Stationery and supplies	27,391	26,624
System consulting/development	31,654	28,291
Telephone	12,892	11,250
Travel	43,936	33,141
	$1,614,683	**$1,345,247**

See accompanying notes to financial statements.

Education and Training Expenses Schedule 2

	2003	2002
Amortization	$26,007	$31,493
Building rental	56,830	51,961
Professional services	8,691	10,052
Salaries and benefits	641,221	593,433
STEC training costs	321,592	250,051
Travel	69,347	61,651
	$1,123,688	**$998,641**

See accompanying notes to financial statements.

10. COMMITMENTS

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Equipment rental	8,183	12,128
Insurance	13,355	11,840
Interest and bank charges	37,215	38,330
Legal	7,249	5,592
Postage	29,852	25,131
Professional services	70,921	102,952
Repairs and maintenance	13,771	7,070
Salaries and benefits	1,258,400	986,707
Stationery and supplies	27,391	26,624
System consulting/development	31,654	28,291
Telephone	12,892	11,250
Travel	43,936	33,141
	$1,614,683	**$1,345,247**

See accompanying notes to financial statements.

Education and Training Expenses Schedule 2

	2003	2002
Amortization	$26,007	$31,493
Building rental	56,830	51,961
Professional services	8,691	10,052
Salaries and benefits	641,221	593,433
STEC training costs	321,592	250,051
Travel	69,347	61,651
	$1,123,688	**$998,641**

See accompanying notes to financial statements.

TOURISM SASKATCHEWAN
SCHEDULE OF EXPENSES
September 30, 2003

Marketing and Advertising Expenses Schedule 3

	Unrestricted Operations	Internally Restricted	Total 2003	Total 2002
Advertising and media publicity	$1,371,367	79,104	$1,450,471	$1,349,443
Amortization	43,584	-	43,584	52,777
Association and professional dues	12,364	-	12,364	15,441
Audio visual supplies	6,512	-	6,512	4,550
Building rental	62,275	-	62,275	56,939
Courier and freight	33,074	-	33,074	31,678
Events	103,929	-	103,929	70,278
Partnership Marketing Fund	1,427,627	74,131	1,501,758	1,439,512
Postage	26,555	-	26,555	25,130
Professional services	177,630	49,827	227,457	193,853
Promotional items	20,459	-	20,459	22,269
Salaries and benefits	1,099,397	-	1,099,397	935,868
Subscriptions and reference material	5,045	-	5,045	5,109
Telephone	21,031	-	21,031	18,210
Travel	235,088	-	235,088	224,769
Travel show costs	70,226	-	70,226	76,411
	$4,716,163	**$203,062**	**$4,919,225**	**$4,522,237**

See accompanying notes to financial statements.

Membership & Visitor Services Expenses Schedule 4

	2003	2002
Amortization	$93,624	$113,374
Building rental	182,060	166,461
Postage	222,233	263,418
Printing, publishing and duplication	98,568	88,694
Professional services	-	58,205
Salaries and benefits	580,224	698,055
Telephone	52,985	52,129
Travel	15,328	24,166
Travel literature	494,157	517,133
	$1,739,179	**$1,981,635**

See accompanying notes to financial statements.

TOURISM SASKATCHEWAN
SCHEDULE OF EXPENSES
September 30, 2003

Marketing and Advertising Expenses Schedule 3

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